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Date: 2/23/2016
GAIN Report Number: BG5010

Bangladesh

Cotton and Products Annual

2015

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Report Highlights:
MY 2015/16 production is expected to fall to 119,000 bales due to unfavorable weather in the southwestern region around Jessore. MY 2015/16 imports are estimate up to 5.1 million bales on expectations of increased export market demand for value-added products. MY 2014/15 raw cotton consumption levels are estimated to have fallen to 5.1 million bales as more RMG factories and mills have exited the business due to an inability to meet new labor and safety standards, or meet third country quality requirements.

Executive Summary:

The MY 2015/16 cotton acreage forecast is unchanged at 43,000 hectares (HA) due to farmers planting other competing crops such as blackgram, oilseeds, lentils, maize, and vegetables on expectations of higher profit margins. MY 2015/16 production is expected to fall to 119,000 bales due to unfavorable weather in the southwestern region around Jessore. MY 2015/16 imports are estimate up to 5.1 million bales on expectations of increased export market demand for value-added products. MY 2014/15 raw cotton consumption levels are estimated to have fallen to 5.1 million bales as more RMG factories and mills have exited the business due to an inability to meet new labor and safety standards, or meet third country quality requirements. MY 2015/16 consumption is projected to grow slightly to 5.2 million bales in expectation that the sector will recover and be better able to meet export market requirements.

Commodities:

Cotton

Production:

The MY 2015/16 cotton acreage forecast is unchanged at 43,000 hectares (HA) due to farmers planting other competing crops such as blackgram, oilseeds, lentils, maize, and vegetables on expectations of higher profit margins. MY 2015/16 production is expected to fall to 119,000 bales due to unfavorable weather in the southwestern region around Jessore.

Bangladesh primarily produces American upland (*Gossypium hirsutum*) and tree (*Gossypium arboreum*) cotton that represent 95 and five percent of total production. Upland cotton is cultivated in the southwestern, northern, and central region, and tree cotton is grown in three southeastern hill districts. The average length of upland cotton is larger than 28 millimeters (mm), and tree cotton is less than 10 mm.

The Cotton Development Board (CDB) supports cotton production through research and development (R&D), extension, and sales/distribution of high-yielding variety (HYV) seeds. According to sources, the CDB has developed 14 American upland varieties; the best variety, CB-14, allegedly yields four to five tons per HA. Statistics on cotton production are also primarily collected by the CDB. Ongoing research and extension services are offered in Bangladesh's hill districts, which represent 38 percent of total cotton production.

Within the last year, a Bangladeshi seed company called Supreme Seed created a joint venture with a Chinese entity, Hubei Provincial Seed Group Company. This private sector partnership imported a GE cotton seed variety from China, and according to contacts initiated a confined seed trial through the Bangladesh Agricultural Research Institute (BARI). Contacts noted that the trial results for the GE seed variety were not very strong.

Value Added Cotton:

MY 2014/15 yarn and fabric production levels are estimated at 694,000 tons and 4.2 billion meters, both down by 4.5 percent. Contacts noted that more mills are exiting the business since they cannot meet new labor safety standards (Please see the Policy section), higher quality requirements of certain export markets, or generally compete against larger mills. MY 2015/16 yarn and fabric production levels are both projected to increase slightly by around two to three percent to 712,000 tons and 4.3 billion meters on expectation that remaining players will be able to raise production as the RMG sector is better able to compete against third country markets.

Bangladesh currently has 407 spinning mills, 787 textile weaving mills, 236 dyeing and finishing mills, and around a total 6,502 registered and 527 un-registered garment and textile factories. Approximately 4,222 Bangladesh Garment Manufacturers and Exporters Association (BGMEA) members employ four million workers at their garment factories, of which 80 percent are women.

Consumption:

MY 2014/15 raw cotton consumption levels are estimated to fall to 5.1 million bales due to more mills and RMB sector players exiting the industry (see value added section above). MY 2015/16 consumption is expected to grow slightly to 5.2 million bales in expectation that remaining mills and RMG sector companies will be better able to meet export market quality requirements. MY 2014/15 yarn and fabric consumption are estimated to decrease by 4.5 and three percent to 974,000 tons and 6.8 billion meters as more RMG factories as exiting the business due to an inability to meet new labor and safety standards, or compete with other third country products. MY 2015/16 yarn and fabric consumption is expected to increase by around two to three percent to 994,000 tons and 7 billion meters on expectation that remaining RMB companies will meet quality expectations for export markets.

Trade:

MY 2015/16 imports are estimate up to 5.1 million bales on expectations of increased export market demand for value-added products. According to contacts, Uzbekistani cotton imports declined because apparel companies did not want to support labor practices in Uzbekistan; apparently African cotton imports filled any gaps caused by less Uzbekistani cotton. Bangladesh also imports denim cotton from India and African countries.

Value Added Cotton:

FY 2014/15 RMG export earnings were about $26.4 billion, up 3.97 percent (Table 5). According to the Bangladesh Bank, since 2008 the GOB has provided a cash incentive of 5 percent of the FOB export value to export-oriented RMG factories. In the last six years, sources believe this cash incentive has helped Bangladesh RMG exports become price competitive in new markets such as Russia, India, China, Japan, Turkey, Brazil, Malaysia, South Africa, South Korea, Saudi Arabia, Australia, and New Zealand.

Policy:

Bangladesh has no import duties for polyester, viscose, acrylic, synthetic and modacrylic staple fiber. The duty for textile chemical dyes is 5 percent. Export-oriented RMG factories can import yarn and fabric under a duty draw back incentive, which reimburses all customs duties paid on imported yarns and fabrics (but not taxes such as the VAT and Advanced Income tax). Imports of all textile raw materials, including fabrics, have no quotas. Please see Table 6 for duties on raw cotton, yarn, fabric, and textile dye-chemical imports.

The biotechnology sector is in a nascent stage of development, but the Government of Bangladesh (GOB) seeks to move forward in developing and commercializing agricultural biotechnology, such as *Bacillus thuringiensis* (Bt) eggplant which was approved in 2013. The Bangladesh Biosafety Rules (BR), 2012 and Biosafety Guidelines of Bangladesh (BG), 2007 officially created a regulatory framework and approval process for all genetically engineered (GE) products developed domestically or by a third country. All GE organisms and products, including raw cotton (or cotton lint), need to be approved before they can be imported, sold commercially, or cultivated in Bangladesh. For more information, please see the GAIN report entitled *Bangladesh Agricultural Biotechnology Annual 2015*.

After the Rana Plaza building collapse that resulted in the death of over 1,100 people, in order to improve safety and security for textile workers, the Ministry of Textiles and Jute passed the Textile Industry Act, 2015 which requires compulsory registration for all garment and textile mills as well as authorized the Directorate of Textiles to oversee, monitor, and coordinate all government and private stakeholders to ensure labor safety and environmental protection. The Textile Industry Act, 2015 partially complements the National Labor Rules, 2015, published by the Ministry of Labor and Employment, which gives special emphasis to workplace safety and worker’s rights. Other organizations are also supporting this effort, such as The Alliance for Bangladesh Worker Safety and the Accord on Fire Safety and Building Safety in Bangladesh (i.e., the Accord) that advocate creating a safe working environment for the RMG sector; companies that are a part of one of these agreements are monitored/inspected to ensure certain protocols are being met.

Various incentives are offered by the Government of Bangladesh to develop the RMG sector and improve worker safety. Import tariffs are exempted for fire extinguishing equipment, energy-efficient electronics, some infrastructure, and raw materials for polyester yarn. The National Human Resource Development Fund (NHRF) offers skills development courses to RMG companies; other financial incentives are available to augment R&D for new product lines for export markets. According to contacts, additional funding may become available through local banks and the World Bank via the International Finance Corporation to better address electrical and fire safety issues.

Sources believe the Ministry of Environment and Forests is developing a new policy to move the textile industry out of urban areas. In preparation for this policy, the BGMEA plans to construct a RMG industrial park in Chittagong and around Gazariain Munshiganj. Contacts noted that the industrial park at Gazariain Munshiganj is expected to support 300 factories that could potentially employ 250,000 workers.

Marketing:

Bangladesh is almost entirely dependent on raw cotton imports. More than 40 percent of imported raw cotton and 80 percent of imported yarn and fabrics are used by spinning mills and the RMG sector to meet export demand.

Production, Supply and Demand Data Statistics:

Table 1. Bangladesh: Area and Production of Raw Cotton

Year*	Area Harvested (Hectare)	Production	
		Bales**	Tons
2005/06	49,770	77,000	14,000
2006/07	42,100	70,530	12,824
2007/08	28,707	42,380	7,705
2008/09	32,600	50,600	9,200
2009/10	31,500	66,000	12,000
2010/11	33,500	80,000	14,545
2011/12	36,000	103,000	18,727
2012/13	39,000	129,000	23,455
2013/14	42,000	144,000	26,182
2014/15	42,700	152,534	27,675

Source: Cotton Development Board (CDB), Government of Bangladesh
*Fiscal Year (July-June)
**1 bale = 400 lb

Table 2. Bangladesh: Production and Consumption of Yarn and Fabric

Years*	Production		Consumption**	
	Yarn (1,000 tons)	Fabrics (million meters)	Yarn (1,000 tons)	Fabrics (million meters)
2006/07	550	2,850	720	5,200
2007/08	602	3,000	760	5,600
2008/09	640	3,250	820	5,800
2009/10	731	3,450	880	6,000
2010/11	694	3,700	940	6,150
2011/12	613	3,950	960	6,200
2012/13	688	4,200	980	6,500
2013/14	1,166	6,123	1,461	6,585
2014/15	1,115	5,850	1,394	6,366

Sources**:** Bangladesh Textile Mills Association (BTMA)
*Fiscal Year (July-June)
**Consumption=Production + Import.

Table 3. Bangladesh: Calendar Year 2014 Textile Industry Overview

Number of Mills that are BTMA Members		1,430
A. Textile Spinning Mills/Yarn Manufacturing Mills	407	

Synthetic Spinning Mills	16	
Acrylic Spinning Mills	8	
Installed Capacity		
Spindle Capacity		10.3 million
Rotor / Open-end		218,000
Annual Yarn Manufacturing Capacity (Subject to 100% Capacity Utilization)		2.1 billion kg
B. Number of Textile Weaving Mills/Fabric Manufacturing Mills	787	
Woven Mills	646	
Denim Mills	26	
Home Textile Mills	22	
Knit Fabrics Mills	93	
Installed Capacity		47,006 kg
Shuttle-less Loom		300,901 kg
Shuttle Loom		16,916 kg
Fabric Manufacturing Capacity		2.8 billion meters
D. Number of Dyeing-Printing-Finishing Mills (Textile Product Processors)	236	
Installed capacity		
Fabric Processing Capacity		2,6 billion meters per kg
Woven Dyeing		1,7 billion meters
Yarn Dyeing		300 million meters
Knit Dyeing		600 million meters
Raw Material Requirements		
Raw Cotton	10.5 million bales (maximum processing capacity)	
Raw-Cotton Import / Consumed	5.5 million bales	
Raw Cotton Source	USA, Australia, CIS, Russia, India, Pakistan, China, Central America, and East and West Africa.	
Type of Raw Cotton Imports	1-1/8", 1-1/16", 1-32", 1-5/32", other	
Other Raw Material Used	• Polyester, Viscose and Acrylic Staple Fiber, and Pet-Chips, • Cotton Waste • Yarn 5-10 counts (both for knit and woven) • Synthetic and Filament Yarn • Other Cotton and Knit Fabrics	

Source: Bangladesh Textile Mills Association (BTMA)

Table 4. Bangladesh: Primary Textile Sector (Spinning) Capacity and Growth

Calendar Year	No. of Mills	Spindle Capacity (kg)	Growth in No. of Mills	Growth in Spindle

				Capacity
2006	260	5,500,000	8.7%	11.39%
2007	283	6,000,000	8.85%	9.09%
2008	341	7,200,000	20%	20%
2009	350	7,600,000	2.6%	5.6%
2010	373	8,700,000	6.6%	14.5%
2011	392	9,600,000	5.6%	10.3%
2012	392	9,800,000	-	2.1%
2013	394	9,800,000	.51%	-
2014	407	10,300,000	3.3%	5.1%

Source: Bangladesh Textile Mills Association (BTMA)

Table 5. Bangladesh: Ready Made Garments (RMG) Export sales, USD millions

Sub-Sectors	FY* 2008/09	FY 2009/10	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15
Knitwear	$6,429	$6,483	$9,482	$9,486	$10,476	$12,050	$12,427
Woven	$5,919	$6,013	$8,432	$9,603	$11,040	$12,442	$13,065
Home Textiles	$418	$403	$789	$906	$729	$793	$804
Specialized Textiles	$146	$186	$165	$139	$140	$109	$106
Total	$12,912	$13,085	$18,868	$20,134	$22,385	$25,394	$26,402
Earning Growth	15.7%	1.34%	44.2%	6.71%	11.18%	13.44%	3.97%

Source: Bangladesh Textile Mills Association (BTMA) and Bangladesh Knitwear Manufacturer and Exporter Association (BKMEA)
*Fiscal Year (July-June)

Table 6. Bangladesh: Raw Cotton and Other Textile Duty Structure

Products	Custom Duty	SD	VAT	Adv. Income Tax	Regulatory Duty	Advance Trade VAT
Raw Cotton	0	0	0		0	0
Man-made Fibres	0%	0%	15%	5%	0	4%
Yarn	10%	0	15%	5%	0	4%
Fabric	25%	20%	15%	5%	0%	4%
Textile dyes-chemicals	5%	0	15%	5%	0	4%

Source: National Board of Revenue (NBR), Government of Bangladesh

Table 7. Bangladesh: Commodity, Cotton, PSD
(Area in Thousand Hectares, Quantity in Thousand Metric Tons)

Cotton	**2013/2014**		**2014/2015**		**2015/2016**	
Market Begin Year	**Aug 2013**		**Aug 2014**		**Aug 2015**	
Cotton Bangladesh	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	42	0	43	0	43
Area Harvested	42	42	43	43	45	43
Beginning Stocks	1166	1166	1271	1271	1281	1281
Production	115	115	120	120	125	119
Imports	5300	5300	5400	5000	5750	5100
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	6581	6581	6791	6391	7156	6500
Exports	0	0	0	0	0	0
Use	5300	5300	5500	5100	5850	5200
Loss	10	10	10	10	10	10
Total Dom. Cons.	5310	5310	5510	5110	5860	5210
Ending Stocks	1271	1271	1281	1281	1296	1290
Total Distribution	6581	6581	6791	6391	7156	6500
Stock to Use %	24	24	23	25	23	25
Yield	596	596	608	608	605	603
TS=TD		0		0		0